

SOME ALTERNATIVES TO CONVENTIONAL COTTON: ORGANIC COTTON, FAIRTRADE COTTON, COTTON MADE IN AFRICA AND BETTER COTTON INITIATIVE

Armelle Gruère and Alejandro Plastina, ICAC

Due to increased global awareness about rural poverty, climate change and sustainability over the last decade, and during the extended period of fast growth in income per capita, projects to improve agricultural practices as well as the level of social and environmental responsibility of cotton have mushroomed. In the cotton sector, the four major initiatives are organic cotton, Fairtrade (FT) cotton, Cotton made in Africa (CmiA), and Better Cotton Initiative (BCI). The organic and FT initiatives started with food commodities and expanded relatively recently to cotton. However, CmiA and BCI are initiatives that were created specifically for the cotton sector. The crisis faced in the cotton sector during 2008/09 affected all segments of the industry, including conventional and alternative cottons.

While organic certification focuses mainly on the farming system and environmental sustainability, Fairtrade, the CmiA standards and the BCI also focus on tackling rural poverty. Organic cotton production is regulated by national standards. Therefore, rules regarding organic production vary depending on where the final cotton products will be sold. The other three initiatives are regulated by single organizations (FLO, Aid by Trade Foundation, and BCI) and therefore have uniform principles worldwide. End products made from certified organic and/or Fairtrade cotton or CmiA are labeled as such, whereas end products made from BCI cotton will not be labeled.

Organic cotton production started in the early 1990s while the three other initiatives are much more recent, dating from the mid-2000s. Organic cotton production expanded significantly in recent years. It reached 175,000 tons in 2008/09, or 0.7% of global cotton production, compared to less than 30,000 tons each for FT cotton and CmiA. The first BCI crop will be harvested in 2010/11.

Organic cotton has the largest geographical distribution of the four initiatives. Organic cotton was produced in 22 countries in 2008/09, compared to 9 for FT cotton and 4 for CmiA. BCI is currently being implemented in 4 countries. Organic and BCI cotton can be cultivated in any cotton producing country, while Fairtrade cotton production is localized in developing countries and CmiA focuses on African countries.

Some of the initiatives may overlap. Cotton can be both organic and Fairtrade. In 2008/09, about 8,500 tons of cotton were certified both organic and Fairtrade; this accounted for 5% of global organic cotton production and 30% of global

Fairtrade cotton production. However, BCI is focusing on conventional cotton. CmiA is considered complementary to organic cotton, since they target different market segments, and the CmiA project cooperates regularly with organizations like the Organic Exchange that are devoted to promoting the cultivation of organic cotton in Africa and elsewhere.

A major drawback of these four initiatives is that while farmers are required to learn new crop management techniques and, in most cases, to face additional production costs, demand for their cotton is not guaranteed. In addition, no premium or minimum price is guaranteed to farmers except if they produce FT cotton. A minimum price and an additional premium are paid to FT cotton producers; the premium is invested in social or economic development projects. However, the FT minimum price and premium are guaranteed only if the cotton is sold as Fairtrade and not as conventional. Organic cotton usually receives a premium over the conventional price, but this premium is the result of negotiations between producers and merchants and varies depending on supply and use. CmiA does not guarantee a higher price paid to producers, but collects a small licensing fee from retailers. The resulting income helps to finance small-holder training programs to increase yields, pay direct dividends to farmers, and support social projects in farming communities. BCI does not guarantee a higher cotton price paid to producers, but aims to improve farm management practices and increase productivity.

Currently, there is a lack of information on consumption and prices of these alternative cottons. This makes it difficult for incumbent farmers to plan ahead, and for other farmers to decide whether to participate in these initiatives. The latter is particularly important given that farmers need to participate in the programs for more than one season in order to reap the benefits of the sale of specialty cottons.

In conclusion, the four initiatives reviewed in this introduction and in the following articles have all gained in importance over the last few years, as consumers' sensitivity to the origin and manufacturing process of textile products has increased. However, until now these alternative markets have remained niche markets. It is important to emphasize that none of these alternatives targets income volatility for cotton producers, nor the risks associated with cotton price volatility, except for the FT initiative that determines a minimum price for FT cotton (although FT cotton producers are not guaranteed to sell their cotton at FT minimum prices).

Characteristics of Four Alternatives to Conventional Cotton

	Organic Cotton	Fairtrade Cotton	Cotton made in Africa	Better Cotton Initiative
Start Year	Early 1990s	2004	2005	2005
Program specific to cotton	No	No	Yes	Yes
Regulating Organization	National organizations	Fair Trade Labeling Organization (FLO)	Aid by Trade Foundation	Better Cotton Initiative (BCI)
Geographical focus	Global	Developing countries	Africa	Global
Countries	22	9	4 (6 by end 2010)	4
Cotton area (2008/09)	253,000 ha	75,000 ha *	117,750 ha	241,200 ha in 2010/11
Cotton production (2008/09)	175,000 tons	28,300 tons**	28,900 tons	First crop expected in 2010/11
Top producing countries	India and Turkey	West Africa and India	Zambia	Expected to be Pakistan
Number of farmers	220,000 (2008/09)	93,000 (2008/09)	140,000 (2008/09)	85,000 (2010/11)
Certification/verification	Third-party verifiers	FLO-Cert (separate certification body owned by FLO)	Third-party verifiers	Third-party verifiers
Price paid to cotton producers	No minimum price	Minimum price + premium	No minimum price	No minimum price
Guarantee for farmers to sell their cotton	No	No	No	No

* Estimate of planned planted area, which may differ from actual planted area and cannot be used to calculate average yields.

** Secretariat's calculation based on estimates of seedcotton production provided by FLO.



ORGANIC COTTON: THE CHALLENGES AHEAD

Elke Hortmeyer, Bremen Cotton Exchange

Over the last few years, as a result of a general increase in awareness for environmental problems, organic cotton production has experienced a disproportionately large amount of attention from the media and, as a result, also from the consumer. However, despite this extensive coverage, there is still significant uncertainty about the definition of organic cotton, not only among consumers in clothing shops, but also in the professional world at all stages in the textile production chain. This situation is caused in large part by the confusing labelling situation that begins right at the processing stage. At the retail level this chaos is then almost systematic. However, organic cotton production implies exact definitions and legal requirements that are clear.

In addition to organic cotton, there are now a number of other specialty cottons circulating on the cotton market, in particular

“Cotton Made in Africa”, “Fair Trade” cotton and BCI cotton. This multiplicity also leads to confusion in the textile market, especially among consumers, as within each project different aspects of sustainability are highlighted. This sometimes leads to some degree of overlap between projects.

History

The history of certified organic cotton began in the early 1990s. Farmers began growing organic fibre on certified farms in the USA and Turkey. A limited number of textiles that were manufactured from 100 percent organic cotton then found their way onto the textile market. These were mostly sold in natural product and health food shops, and the ecological aspects were largely more important than any fashion concerns.

In 1992, eco-fashion reached the fashion world with great

effect. “Eco-look” textile products were available in shops such as Esprit or H&M (“Eco Cotton” and “Nature Calling”). The main characteristic of this look was the use of natural colored fabrics. The eco look was later replaced by synthetic fibres and bright colors. However, demand for organic cotton textile products was kept alive by mail-order companies that were mainly located in Germany or Switzerland, such as Hess Natural Textiles or the Swiss supermarket chain COOP. A re-launch then took hold in 2000 as larger retailers started to include organic cotton textiles in their product ranges, mainly to improve their image. Negative press reports on textile products, related to unfair social conditions, child labour, sweatshops and even an increase in allergies among consumers, led to an increase in the demand for the most ecologically and socially sound products available. Although there are no causal links between these negative reports and cotton production methods, investing in organic cotton production is one way to improve the image of some retailers.

Prominent celebrities also become active in the organic cotton market: U2 singer Bono started an organic cotton collection in 2005 under the name of “Edun”, manufactured in Africa, South America and India. “Trade, not Aid” is Edun’s motto. Organic fibres have finally attracted the interest of not only hardliners, but also more classic shoppers. Carrying their environmental conscience on their body is now considered chic among fashion-conscious consumers. Nowadays, numerous internationally famous brands offer organic cotton products that are no different in style and look from conventional cotton products. The use of organic cotton, when properly marketed, offers huge reputation potential for mega retailers who are often suffering from the effects of negative headlines in the press. Companies such as C&A, Nike and H&M have integrated organic cotton into their product range. However, the extent to which the value-added chain is environmentally friendly and/or socially acceptable varies significantly depending on the company.

Facts

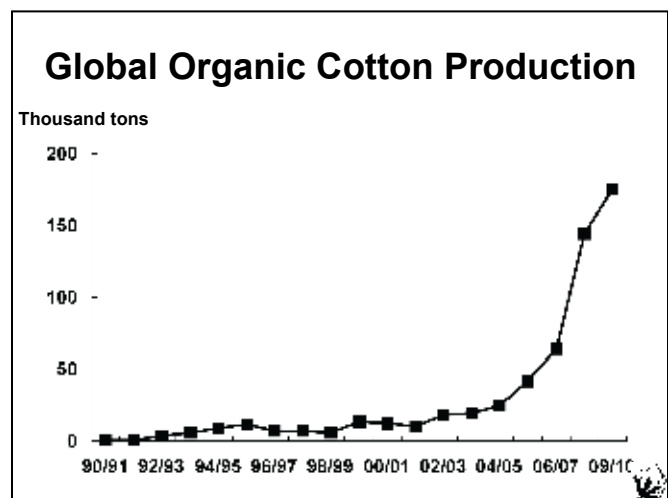
Considering the large media presence regarding organic cotton, the crop volume is actually relatively small. In 2008/09, 175,000 tons of organic cotton was produced. For comparison, global cotton production reached 23.4 million tons. The only institution that publishes comprehensive – but not free– information on organic cotton production is the Organic Exchange (OE). The OE was founded in 2002 and was originally started with the aim of increasing the cultivation and use of organic cotton. The Organic Exchange sees itself as an intermediary between farmers, large clothing producers, retailers and their partners and has now built a very large network. Nevertheless, there is still a lack of adequate data on the global organic cotton situation, in particular regarding consumption of organic cotton, compared to the figures for conventional cotton that are generally available. Farmers and merchants are asking for greater transparency in organic cotton pricing.

The long-term overview shows a significant development in organic cotton production. The quality and diversity of varieties, which a few years ago were still unsatisfactory, no longer provide grounds for criticism. In 2000/01, the crop volume was still only 6,500 tons. The results of the 2008/09 harvest show that on the one hand there is strong interest in ecological farming and the recognition of its potential, while on the other hand there is increased demand from large retailers who are adding organic cotton products to their fashion ranges. The most important producing countries in 2008/09 were India with 107,500 tons, Turkey with 27,300 tons, Syria (22,000 tons), Tanzania (4,200 tons), China (3,800 tons), USA (2,700 tons), Uganda (2,400 tons) and Peru (1,400 tons). The total crop of 175,000 tons represents an increase of 20 percent compared to the 146,000 tons produced in the previous season. Larger increases were recorded in India (33,808 tons), Turkey (2,884 tons), Tanzania (1,329 tons), Burkina Faso (468 tons), Kyrgyzstan (234 tons), Mali (197 tons) and Egypt (175 tons).

The crop volume of organic cotton in the long and extra long staple sector (extra-fine cotton) reached around 21,600 tons in 2008/09. Organic extra fine cotton was grown in six countries. In this area too, India topped the list with 18,600 tons, followed by Turkey (1,400), Peru (1,000), Egypt (460), Israel (125) and the USA (125).

The growing area for organic cotton in 2008/09 was estimated to be around 253,000 hectares, with approximately 222,000 farmers involved in its production. Accordingly, the average yield per hectare stood at around 690 kg/ha.

A few years ago, the price premium for organic cotton compared to conventional cotton generally ranged between 60 and almost 100 percent. The organic price premium has since declined and the price differences between organic and conventional cotton are now not very large. In 2008/09, there was a large amount of unsold organic cotton, which is however, likely to have been reduced in 2009/10. At the moment, there are only limited amounts of organic cotton available on the market. The market is currently a “sellers market,” both for conventional and organic cotton. This is reflected by higher



prices for both conventional and organic cotton. There is currently no global index price for organic cotton, whereas the Cotlook A Index gives a good indication of trends in global conventional cotton prices.

Definition

Organic cotton is defined by production practices. Further in the processing chain, care must be taken not only to separate organic cotton from conventional cotton, but also to ensure environmentally-friendly processing. However, organic cotton can also be processed conventionally and the textile end-product can be sold as made from organic cotton.

During the cultivation of organic cotton, the use of synthetic pesticides and fertilizers is not allowed. Neither is the use of biotech cotton seeds. The cotton seeds should be organic, or, if those are absolutely not available, at the very least they should not be chemically treated.

The objective of these rules is to maintain a healthy environment. These growing methods aim to minimize negative influences on biodiversity and at the same time to maintain the good quality of the farmland, lakes and rivers. Crop rotation and the use of animal or vegetable fertilizers are also requested in organic cotton production. Useful insects and biological pest and weed control, e.g. pheromone traps, are used, as well as weeding by hand. Organic cotton can be picked by hand or by machine. The process of defoliation is started by dewatering or overnight frosts.

There are no international standards for growing organic cotton. However, there are legal national standards in several countries which regulate the certified production of organic cotton.

These national legal standards are:

- o In the European Union: Nr. 834/2007 (previously 2092/91);
- o In the USA: National Organic Program NOP;
- o In Japan: Japanese Agricultural Standard JAS;
- o In Canada: Canada Organic Regime;
- o India is currently developing its own standards.

National organic agricultural standards apply until the farm gate. Up to that point, everything is regulated in detail and stands on solid legal footing. The cotton buyer can look for the appropriate standards, which are confirmed by a certifying body, in the trading documentation. Further down in the supply chain, however, it becomes a lot more complicated. One is faced with a diversity of labels which are not subject to any legal requirements.

There are different certifying organizations, such as Ecocert from France, IMO from Switzerland, Control Union from the

Netherlands, One Cert from the USA and numerous others. The country where the end-use product is sold is the one defining the organic standard that is needed. For example, if Syrian cotton is to be shipped to the European market, then the EU Standard 834/2007 is obligatory.

Challenges

Producing organic cotton is a far-reaching decision for the cotton producer, as it requires a 2-3 year transition or conversion period. In addition, ecological farming requires expert knowledge that enables the producers to maintain an intact ecosystem without the use of synthetic chemical aids.

If the cotton is not officially certified as organic, then the market does not consider it to be organic cotton, no matter how strictly the producer keeps to all the requirements. The producer will find no buyer who will import uncertified organic cotton. He must therefore allow his farm to be controlled and the ecological quality of his product to be certified.

Having the necessary certification underlines a problem that in the course of further processing does not lose its relevance. The main differences between conventional cotton and organic cotton relate to the methods of cultivation. There is no difference in the product itself. Neither an experienced cotton classer nor the laboratory analysis can recognise whether a sample is organic or non-organic cotton. An additional difficulty is the 2-3 year period of transition for farmers. During this period, although the producer is already required to apply the organic standards, which are more labour intensive than in conventional cultivation, transitional cotton is not allowed to be sold as certified organic.

A further problem could arise regarding the production of organic seed. The preferred seed material of organic cotton farmers could become rare and more expensive as conventional growers increasingly focus on biotech seeds. The cost factor is also relevant later, as a strict separation between organic and conventional cotton must take place at every stage of the processing chain (harvest, storage and ginning), causing additional costs. In addition to this, there is also the need for continuous certification at every stage of the value-added chain, which must be paid for. This challenge is, however, likely to be faced by all alternatives to conventional cotton production, such as Fair Trade Cotton, CmiA, and others.

At the Organic Exchange's Organic Cotton Conference in Interlaken in 2009, the possibility of also allowing the use of biotech seeds in the production of organic cotton was discussed. This could significantly increase the organic cotton production potential. However, biotech cotton does not currently conform to the requirements of ecological farming as set out by the International Federation of Organic Agriculture Movements (IFOAM)¹, the global governing body. Neither does biotech cotton conform to national organic standards. In view of the

1) IFOAM developed a trend setting framework for organic cultivation which was significant for ecological agriculture.

advancing use of biotech cotton seeds worldwide, production of organic cotton might encounter difficulties to expand and remain profitable under the current national standards in some countries.

Conclusion

The production of organic cotton is now a firmly established part of global cotton production, which has certainly given the conventional cotton growing industry some food for thought.

It is an important option for sustainable strategies in the textile chain. However, an array of challenges still lies ahead for the potential adopters, farmers and the textile sector.

[Disclaimer by the Secretariat: the ICAC Secretariat does not endorse or criticize production and marketing systems such as Fair Trade and organic. This article is provided for information purposes only. The Secretariat notes that world production of organic cotton remains extremely small relative to the world total.]

FAIRTRADE COTTON

Damien Sanfilippo, Global Product Manager Cotton, Fairtrade Labelling Organizations International (FLO)
www.fairtrade.net

What is Fairtrade?

Fair Trade started in the 1950s as a partnership between non-profit importers, retailers in the North and small-scale producers in developing countries. Many of these producers were at the time struggling against low market prices and high dependence on intermediaries. They saw Fair Trade as an opportunity to protect their livelihoods, bypass middlemen and directly access Northern markets. Over the years, more Alternative Trade Organizations such as Oxfam Trading, Traidcraft and Cafédirect were created in different countries, often closely linked to volunteer groups and World Shops.

In 1988, in an effort to expand the distribution of Fair Trade products to mainstream retailers, an economist and a missionary from The Netherlands, in collaboration with the Dutch Development agency Solidaridad, found an innovative way to increase sales without compromising consumer trust in Fair Trade products and in their origins: create a FAIRTRADE label that guarantees that the goods meet certain labour and environmental standards. The label, first only applied to coffee, was called Max Havelaar.

In 1997, several Fairtrade Labelling Initiatives which had emerged across Europe and North America decided to pool their resources and create Fairtrade Labelling Organizations International (FLO), an umbrella organization whose mission is to set common Fairtrade standards, support disadvantaged producers and harmonize the Fairtrade message across the movement. In 2002, FLO launched the new harmonised international Fairtrade Certification Mark. This harmonization process is still under way, and full transition to the new Mark should become reality as it gradually replaces the old Certification Marks in various countries.

At present, over 21 Labelling Initiatives are members of FLO International, and global Fairtrade retail sales amount to EUR

3.4 billion (2009)². There are now Fairtrade Certification Marks on dozens of different products, the major ones being coffee, cocoa, tea, sugar, banana, and of course cotton which was launched in West Africa during the 2004-05 season.

What makes Fairtrade Unique?

For cotton, as for most other Fairtrade products, buyers must pay to the producers at least a Fairtrade Minimum Price (FTMP), which is based on extensive research on the Cost of Sustainable Production in each country or region, and fixed after a multi-stakeholder consultation process. This price floor acts as a safety net for farmers at times when market prices fall below a sustainable level. Without this minimum price, farmers are at the mercy of sudden drops in prices, as often happens in the cotton sector. When the market price is higher than the Fairtrade minimum, as has happened in India following the raise of Government's Minimum Support price in 2008/09, the buyer must pay at least the market price. Producers can negotiate better prices based on quality, etc. FLO sets higher minimum prices for ELS and organic cotton. Because small scale cotton producers rarely have the capacity to gin their own cotton, the FTMP, which were last revised in July 2008, are set for seed cotton. Figure 1 shows that in West and Central Africa, the minimum price for conventional Fairtrade cotton has always been significantly higher than the national seed cotton prices paid to producers (from 18% to 67% over the 4 countries' average). Figure 2 shows how FTMP and the additional Fairtrade premium compare between three main regions of production, when reported in US\$.

On top of stable prices, producer organizations are paid a Fairtrade Premium (FTP) – additional funds to invest in social or economic development projects (currently EUR 0.05 / kg seed cotton in most regions)³. The use of this Fairtrade Premium money is decided upon democratically by the farmers

² Equivalent to USD 5.5 billion in mid-2009.

³ Equivalent to 4 US cents/kg in May 2010, 4 US cents/kg in May 2009, 3 US cents/kg in May 2008, and 4 US cents/kg in May 2007.